PROGRAMMED MAINTENANCE SERVICES LIMITED

ABN 61 054 742 264

HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2016

APPENDIX 4D – HALF YEAR REPORT

Results for announcement to the market

For the half-year ended 30 September 2016
(Previous corresponding period: half-year ended 30 September 2015)

				$ '000
Revenue from ordinary activities *(Appendix 4D item 2.1)*	up	88.5%	to	1,337,679
Profit from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	up	N/A	to	3,674
Profit for the period attributable to members *(Appendix 4D item 2.3)*	up	N/A	to	3,674

The results for the half year ended 30 September 2016 include the results of Skilled Group Limited acquired on 16 October 2015 and the following items which are described in the attached Results Commentary and Financial Report:

	HY 30 Sep 16 $'M	*HY 30 Sep 15 $'M*
Amortisation and Non-trading items:		
Amortisation	*5.3*	*0.4*
Impairment of goodwill	*-*	*27.8*
Skilled integration, restructuring and other costs	*14.4*	*5.2*
Equity accounted loss for the investment in OneShift	*0.3*	*0.1*
Tax on amortisation and non-trading items	*(5.8)*	*(1.6)*
Total amortisation and non-trading items	*14.2*	*31.9*
Profit before amortisation and non-trading items	*17.9*	*13.2*

Dividends/distributions *(Appendix 4D item 2.4)*			Amount per security (cents)	Franked amount per security (cents)
Interim dividend determined			3.5	3.5
Previous corresponding period			6.5	6.5

Record date for determining entitlements to the dividend: 9 January 2017

(payment date of 31 January 2017)

The dividend reinvestment plan has been suspended until further notice.

			30 September 2016 (cents)	30 September 2015 (cents)
Net Tangible Assets per Ordinary Share			7.9	122.6

HALF YEAR FINANCIAL REPORT

Half-year ended 30 September 2016

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This Half-year Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 March 2016 and any public announcements made by Programmed Maintenance Services Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange.

RESULTS COMMENTARY

Results for first half to 30 September 2016

NPAT before amortisation and non-trading items $17.9 million, up 36%
Statutory profit $3.7 million
Interim dividend 3.5 cps, fully franked
Full year guidance of c. $100 million EBITDA before non-trading items maintained

Programmed (ASX:PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of $17.9 million before amortisation and non-trading items for the six months to 30 September 2016 (1H FY16: $13.2 million). After amortisation and non-trading items, the company's after-tax profit was $3.7 million (1H FY16: after-tax loss of $18.7 million).

Earnings before interest, tax, depreciation, amortisation (EBITDA) and non-trading items were $43.4 million, 71% above 1H FY16 ($25.3 million).

Amortisation and non-trading items totalled $14.2 million. These were $5.3 million for the non-cash amortisation of identifiable intangibles; $14.4 million related to the Skilled integration, restructuring and other expenses; $0.3 million representing a share of an associate's net loss; and a tax credit of $5.8 million related to these items.

Group revenue, at $1,338 million, was up 88% (1H FY16: $710 million), due to the acquisition of Skilled completed on 16 October 2015.

Gross operating cash flow was higher than pcp at $30.0 million (1H FY16: $17.4 million) and represents 103% of EBITDA after cash non-trading items.

Net debt was $240 million at 30 September 2016, similar to 31 March 2016, due to one-off integration and restructuring expenses; and the final deferred payment of $9.5 million for the Broadsword business purchased by Skilled three years ago.

The board has determined to pay an interim dividend of 3.5 cents per share fully franked (1H FY16: 6.5 cents), payable on 31 January 2017 to shareholders on the register at 9 January 2017. The DRP has been suspended.

'The integration of Skilled has progressed very well since its acquisition just one year ago,' said Chris Sutherland, Managing Director of Programmed. 'Our integration plan had three important phases:

1. The first was to create one team, one brand and align the culture. Our most recent employee engagement score was identical to the same high result prior to the Skilled acquisition, a significant achievement.
2. The second phase was to transfer the entire Skilled operation onto our business systems. Two weeks ago, we completed successfully the most critical and complex task, transferring more than 500,000 employment records onto our system. Our staffing business is now trading on a common system which will enable better sales, customer service and employee management.
3. The final and most important phase is to use our new size, scale and diversity of customers to grow sales over the next three years. We have developed a detailed plan to target significant additional revenue opportunities which will be implemented over the coming months, with the benefits accruing over a number of years.'

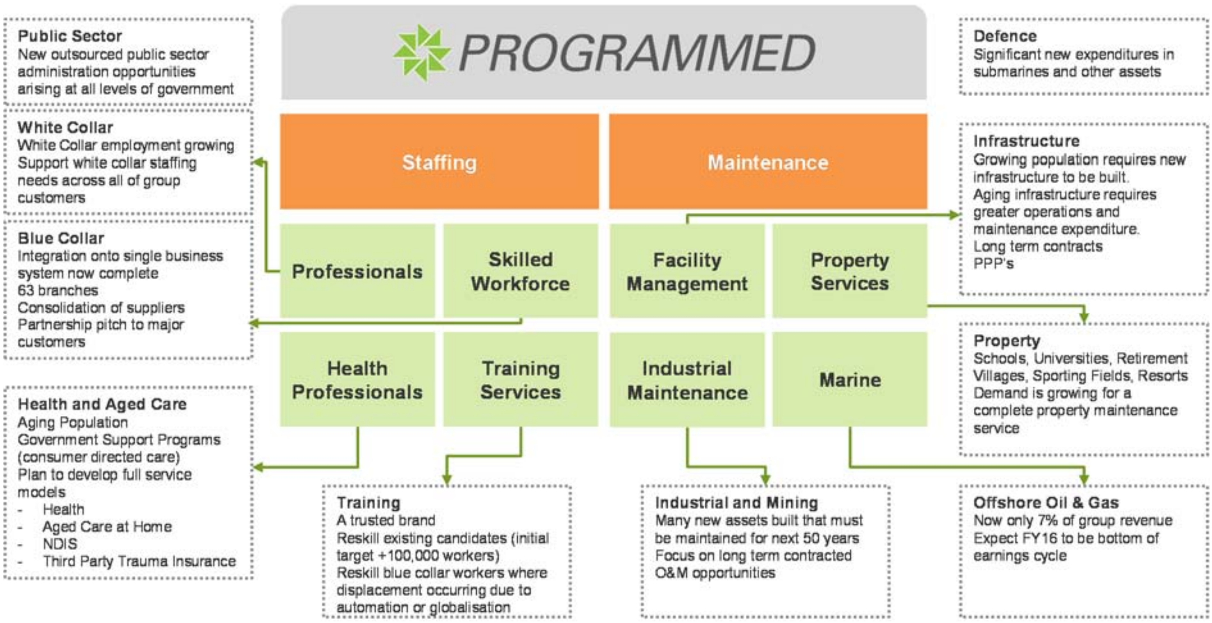
'Programmed has a clear vision to be the leading provider of staffing, maintenance and facility management services, without injury. Like most businesses today, scale and efficiency are important as customers seek price and productivity improvements and global competitors increase their presence in Australia. The acquisition of Skilled, only a year ago, was a very important long-term transformation opportunity for Programmed to greatly increase our scale and efficiency and provide for the opportunity to grow services across a much larger customer base.

'We are excited to be now moving to the third and most important phase of our plan which is to significantly grow sales over the next three years.'

RESULTS COMMENTARY (CONTINUED)

Next Three Years

A summary of our plan to significantly grow sales over the next three years is outlined below;



Earnings Guidance

Programmed maintains its previous guidance of FY17 EBITDA of approximately $100 million[1] before non-trading items.

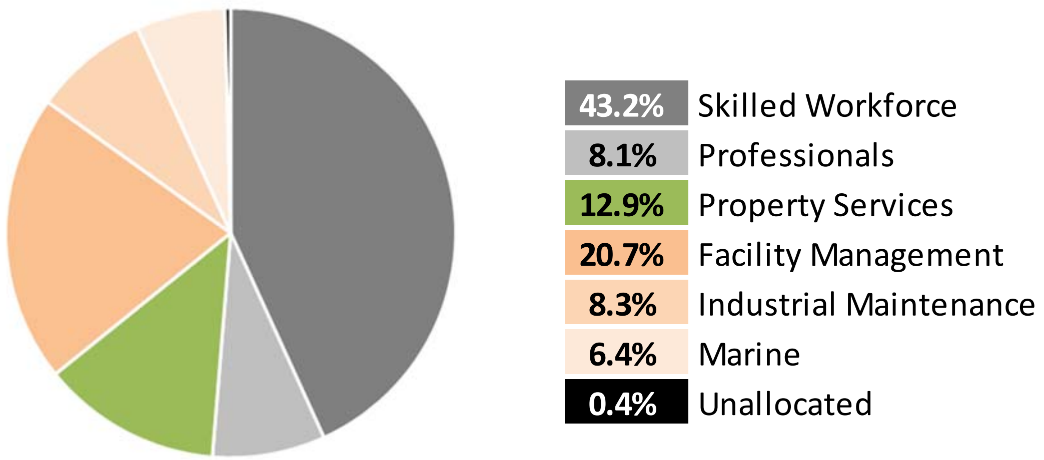
Group Results

Group Results	1H FY17 30 Sep 2016 $m	1H FY16 30 Sep 2015 $m	% change
Revenue	**1,337.7**	**709.7**	**88.5%**
Results Before Amortisation and Non-Trading Items			
EBITDA	**43.4**	**25.3**	**71.5%**
Depreciation	(9.4)	(4.8)	(95.8%)
EBITA	**34.0**	**20.5**	**65.9%**
Interest	(8.1)	(1.9)	(326.3%)
Profit before Tax	**25.9**	**18.6**	**39.2%**
Income tax expense	(8.0)	(5.4)	(48.1%)
Profit after Tax (before amortisation and non-trading items)	**17.9**	**13.2**	**35.6%**
Amortisation and Non-Trading Items			
Amortisation	(5.3)	(0.4)	
Skilled integration, restructuring and other costs	(14.4)	(5.2)	
Marine goodwill impairment (non-cash)	0.0	(27.8)	
Share of net loss of associates	(0.3)	(0.1)	
Tax on amortisation and non-trading items	5.8	1.6	
Profit / (Loss) after Tax (statutory basis)	**3.7**	**(18.7)**	
Earnings per Share (before amortisation and non-trading items)	**7.1**	**11.1**	**(36.0%)**
Earnings per Share (statutory basis)	**1.5**	**(15.7)**	
Weighted Average Shares on Issue (million)	252.2	118.8	

[1]*Based on current estimates; excluding non-trading items; subject to actual trading conditions and assuming no material changes to the macro economic environment.*

RESULTS COMMENTARY (CONTINUED)

% FY17 1H REVENUE BY BUSINESS UNIT



Divisional Results

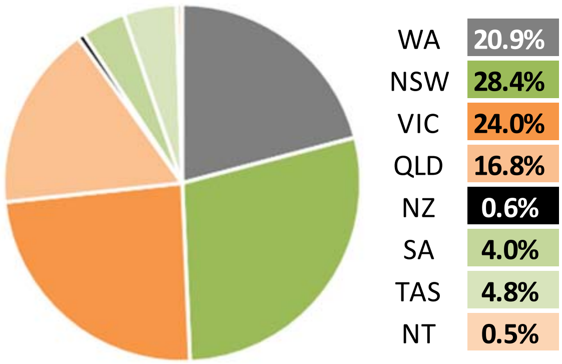
Staffing	**1H FY17 30 Sep 2016 $m**	**1H FY16 30 Sep 2015 $m**	**% change**
Revenue	686.5	196.0	250%
EBITA	20.2	3.9	418%

The Staffing division provides a range of staffing services across all industry sectors. It trades as four business units: Skilled Workforce (blue collar); Professionals (white collar); Health Professionals (hospitals and aged care) and Training Services (licenced RTO and GTO).

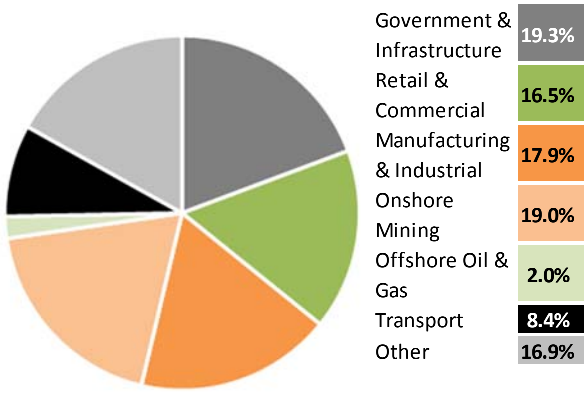
First half revenue was significantly higher than 1H FY16 reflecting the acquisition of Skilled, but was weaker than forecast at the beginning of the year. As the Western Australian, Queensland and Northern Territory economies adjusted to lower mining capital expenditure, revenue from non-mining customers in these regions was weaker, but direct revenue from major mining companies grew as they increased production. Revenue increased in the other major regions as growth in non-mining activity offset some of the decline in the 'mining' states.

RESULTS COMMENTARY (CONTINUED)

Staffing Revenue by State / Country



Staffing Revenue by Sector



The introduction of a single business system for the combined Skilled Workforce business, completed two weeks ago, will enable a more efficient coordinated sales approach across the entire network of 63 branches. The business is well positioned to support a growing number of customers seeking new efficiencies and improvements in safety and service by outsourcing for the first time, or by consolidating service providers. There are more than $300 million per annum of new, near-term revenue opportunities in the business' development pipeline, which if successful will support growth into next year.

The Professionals business is marketing its white collar staffing services to a wider group of customers and growth is expected in the next 12 months. In particular, there are increasing opportunities in health and aged care.

Overall, the Staffing division's performance is expected to improve in the second half as it begins to benefit from the completion of its business system integration. OneShift, the start-up online recruitment business in which Programmed invested $5 million for a 27.5% equity stake in October 2013, continues to develop.

Maintenance	1H FY17 30 Sep 2016 $m	1H FY16 30 Sep 2015 $m	% change
Revenue	646.1	513.0	26%
EBITA	24.8	22.6	10%

The Maintenance division provides a range of maintenance, building and operational services to asset owners across all industry sectors. Due to the significant fall in marine revenue, the marine/offshore oil and gas business was combined with the division's other operational and maintenance services from 1 April 2016.

RESULTS COMMENTARY (CONTINUED)

The division's services include painting, grounds maintenance and landscaping; specialist turf construction and maintenance for golf and horse racing; corporate imaging and signage; building repair; electrical and lighting installation, audio-visual, data and communications; complete maintenance and asset management services; industrial maintenance, shut downs, project management and minor capital works; and marine operations and maintenance, catering and logistics.

The division trades as four main business units: Property Services, Facility Management; Industrial Maintenance and Marine Services.

The division's revenue grew as a result of the addition of Skilled's maintenance businesses, but was lower than forecast at the beginning of the year due to the fall in marine revenue following the significant fall in the oil price at the beginning of the calendar year.

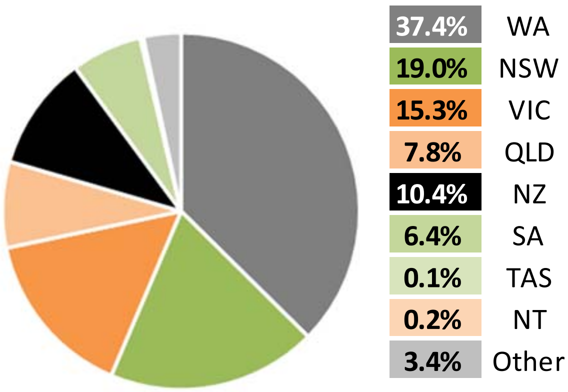
The Property Services business is performing well, with the sales pipeline across its traditional education, aged care, retail and commercial sectors remaining solid.

The Facility Management business is consolidating its contract wins of the last 12 months, with work-in-hand of $2,200 million and a pipeline of further opportunities under active development.

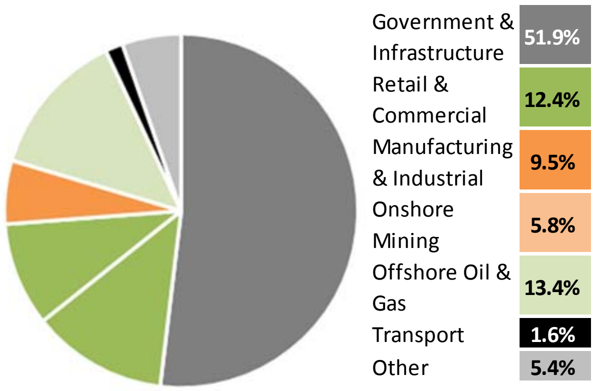
The Industrial Maintenance business improved its performance in the first half of FY17 compared to the second half of FY16, but headwinds remain in some sectors.

The Marine Services business has a number of exploration and construction opportunities which are expected to support future activity levels no lower than the present.

Maintenance Revenue by State / Country



Maintenance Revenue by Sector



RESULTS COMMENTARY (CONTINUED)

Unallocated Costs

Unallocated costs, which relate to corporate overheads and non-trading income and expenses, were $11.0 million (1H FY16: $6.0 million).

Cash Flow and Net Debt

Gross operating cash flow was higher than pcp at $30.0 million (1H FY16: $17.4 million) and represents 103% of EBITDA after cash non trading items. Net operating cash flow was $17.5 million (1H FY16: $9.7 million).

Net debt at 30 September 2016 was $240 million compared to $239 million at 31 March 2016. Cash outgoings included $14.4 million of one-off integration and restructuring costs and a $9.5 million final deferred payment for Broadsword, purchased by Skilled three years ago.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of Programmed Maintenance Services Limited ("the Company") and its subsidiaries ("the Group") for the half-year ended 30 September 2016 and the auditors review report thereon.

The names of the directors of the Company during or since the end of the half-year are:

B R Brook
C G Sutherland
J Walker
E R Stein
R J McKinnon
A E Grant
L Paul

REVIEW OF OPERATIONS

On 16 October 2015 (in the financial year ended 31 March 2016), the Company completed the acquisition of Skilled Group Limited ("Skilled"), through a scheme of arrangement. The results for the half year ended 30 September 2016 presented in this financial report are therefore not entirely comparable to the results for the corresponding period last year (for the half year ended 30 September 2015).

Consolidated revenue for the half-year ended 30 September 2016 was $1,337.679 million, which is 88.5% higher than the corresponding period last year.

For the half-year ended 30 September 2016, the consolidated profit before tax amounted to $5.916 million and consolidated profit after tax amounted $3.674 million (consolidated loss before tax of $14.937 million and consolidated loss after tax of $18.692 million for the half-year ended 30 September 2015).

Refer to Results Commentary on page 4 for further information.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Group during the half year.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 11 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

C. Sutherland

C G SUTHERLAND
MANAGING DIRECTOR
PERTH, WESTERN AUSTRALIA
23 NOVEMBER 2016

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Programmed Maintenance Services Limited
47 Burswood Road
BURSWOOD WA 6100

23 November 2016

Dear Board Members

Auditor's Independence Declaration to Programmed Maintenance Services Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Programmed Maintenance Services Limited.

As lead audit partner for the review of the half year financial report of Programmed Maintenance Services Limited for the half year ended 30 September 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Lead Client Service Partner

Deloitte.

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Independent Auditor's Review Report to the Members of Programmed Maintenance Services Limited

We have reviewed the accompanying half-year financial report of Programmed Maintenance Services Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2016, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year (collectively the Company) as set out on pages 14 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 23 November 2016

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

C. Sutherland

C G SUTHERLAND
MANAGING DIRECTOR

PERTH, WESTERN AUSTRALIA
23 NOVEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2016

	Note	Consolidated Half-year ended 30 Sep 2016[1] $'000	30 Sep 2015 $'000
Revenue		1,337,679	709,735
Other income		275	546
Share of net loss of associate accounted for using the equity method		(282)	(76)
Changes in work in progress at cost and other inventories		11,528	5,657
Raw materials and consumables used		(57,647)	(48,612)
Employee benefits expense		(968,162)	(418,468)
Sub-contractor expenses		(247,457)	(208,439)
Depreciation and amortisation expense	3	(14,680)	(5,186)
Impairment of goodwill	3	-	(27,780)
Equipment and motor vehicle costs		(9,818)	(9,283)
Information technology and telecommunication costs		(8,648)	(3,737)
Other expenses		(28,772)	(7,384)
Earnings before interest and tax		14,016	(13,027)
Finance costs	3	(8,100)	(1,910)
Profit/(loss) before income tax		5,916	(14,937)
Income tax expense	4	(2,242)	(3,755)
Profit/(loss) attributable to members of Programmed Maintenance Services Limited		3,674	(18,692)
		Cents	Cents
Earnings per share			
Basic earnings per share		1.5	(15.7)
Diluted earnings per share		1.4	(15.7)

[1]The results for the half year ended 30 September 2016 include the results of Skilled Group Limited acquired on 16 October 2015

Notes to the condensed consolidated financial statements are included on pages 20 to 28

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2016

	Consolidated Half-year ended 30 Sep 2016[1]	30 Sep 2015
	$'000	$'000
Profit/(loss) for the period	3,674	(18,692)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	2,182	(3,096)
Other comprehensive income for the period (net of tax)	2,182	(3,096)
Total comprehensive income for the period attributable to owners of the parent entity	5,856	(21,788)

[1]The results for the half year ended 30 September 2016 include the results of Skilled Group Limited acquired on 16 October 2015

Notes to the condensed consolidated financial statements are included on pages 20 to 28

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	Consolidated 30 Sep 2016 $'000	31 Mar 2016 $'000
CURRENT ASSETS			
Cash and cash equivalents		38,303	78,859
Trade and other receivables		399,983	443,548
Inventories		93,845	86,280
Current tax assets		14,842	6,567
Other		10,267	6,708
Total current assets		557,240	621,962
NON-CURRENT ASSETS			
Investments in associates		5,075	5,150
Trade and other receivables		49,322	60,772
Inventories		7,872	7,838
Property, plant and equipment		39,944	43,157
Deferred tax assets		46,048	48,978
Goodwill	5	510,467	510,029
Other intangible assets		79,746	82,942
Total non-current assets		738,474	758,866
TOTAL ASSETS		1,295,714	1,380,828
CURRENT LIABILITIES			
Trade and other payables		242,828	263,787
Borrowings	6	96,373	1,260
Current tax payables		2,510	3,485
Provisions		78,995	104,442
Total current liabilities		420,706	372,974
NON-CURRENT LIABILITIES			
Borrowings		181,938	316,787
Deferred tax liabilities		62,758	63,760
Provisions		19,729	21,718
Total non-current liabilities		264,425	402,265
TOTAL LIABILITIES		685,131	775,239
NET ASSETS		610,583	605,589
EQUITY			
Issued capital	8	570,280	557,813
Reserves		5,497	4,177
Retained earnings		34,806	43,599
TOTAL EQUITY		610,583	605,589

Notes to the condensed consolidated financial statements are included on pages 20 to 28

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2016

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Capital profits reserve $'000	Equity settled employee benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 April 2015	236,086	1,712	5,535	3,629	171,474	418,436
Loss for the period	-	-	-	-	(18,692)	(18,692)
Exchange differences arising on translation of foreign operations	-	(3,096)	-	-	-	(3,096)
Total comprehensive income for the period	-	(3,096)	-	-	(18,692)	(21,788)
Recognition of share-based payments	-	-	-	346	-	346
Payment of dividends (note 7)	-	-	-	-	(13,647)	(13,647)
Balance at 30 September 2015	236,086	(1,384)	5,535	3,975	139,135	383,347
Balance at 1 April 2016	557,813	(5,738)	5,535	4,380	43,599	605,589
Profit for the period	-	-	-	-	3,674	3,674
Exchange differences arising on translation of foreign operations	-	2,182	-	-	-	2,182
Total comprehensive income for the period	-	2,182	-	-	3,674	5,856
Recognition of share-based payments	-	-	-	(862)	-	(862)
Issue of shares (note 8)	12,467					12,467
Payment of dividends (note 7)	-	-	-	-	(12,467)	(12,467)
Balance at 30 September 2016	570,280	(3,556)	5,535	3,518	34,806	610,583

Notes to the condensed consolidated financial statements are included on pages 20 to 28

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2016

		Consolidated Half-year ended	
	Note	30 Sep 2016[2] $'000	30 Sep 2015 $'000
Cash Flows from Operating Activities			
Receipts from customers[1]		1,547,516	784,073
Payments to suppliers and employees		(1,517,590)	(766,722)
Interest and other cost of finance paid		(7,350)	(1,790)
Income tax paid		(5,119)	(5,888)
Net cash provided by operating activities		17,457	9,673
Cash flows from investing activities			
Interest received		293	181
Payment for property, plant and equipment		(5,365)	(2,112)
Proceeds from sale of property, plant and equipment		1,497	822
Payment for development software		(2,895)	(2,941)
Payments for investments		(206)	(1,322)
Payment for settlement of deferred consideration	9	(9,450)	-
Payments for mobilisation of contracts		(1,553)	(518)
Net cash used in investing activities		(17,679)	(5,890)
Cash flows from financing activities			
Proceeds from borrowings		95,000	20,000
Repayment of borrowings		(135,713)	(21,661)
Dividends paid	7	-	(13,647)
Net cash used in financing activities		(40,713)	(15,308)
Net decrease in cash and cash equivalents		(40,935)	(11,525)
Cash and cash equivalents at the beginning of the period		78,859	42,768
Effects of exchange rate changes on the balance of cash held in foreign currencies		379	(382)
Cash and cash equivalents at the end of the period		38,303	30,861
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per balance sheet and cash flow statement		38,303	30,861

Notes to the condensed consolidated financial statements are included on pages 20 to 28

[1]Receipts from customers include interest revenue on long term maintenance contracts of $1.912 million (2015: $2.499 million)

[2]The cash flows for the half year ended 30 September 2016 include the cash flows of Skilled Group Limited acquired on 16 October 2015

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

1. Significant accounting policies

Programmed Maintenance Services Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial statements of the Company for the six months ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The consolidated financial statements of the Group as at and for the year ended 31 March 2016 are available upon request at the Company's registered office at 47 Burswood Road, Burswood, Western Australia or at www.programmed.com.au.

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 31 March 2016.

On 16 October 2015, the Company completed the acquisition of Skilled Group Limited, through a scheme of arrangement (refer note 9). As the acquisition was completed in the second half of the 2016 financial year, comparative information for the previous reporting period for the half year ended 30 September 2015 does not include the impact of the acquisition.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has applied two amendments to AASBs issued by the Australian Accounting Standards Board (the AASB) that are mandatorily effective for the current half-year:

AASB 2015 - 3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 2015- 4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

2. Segment Information

Basis of segmentation

The Group's business in the previous reporting period for the half year ended 30 September 2015 was organised into the Integrated Workforce (later Staffing), Property & Infrastructure (later Maintenance) and Resources (later Marine) segments. Due to the decline in oil and gas prices and the end of a number of major offshore construction projects, the Marine business makes up a relatively small proportion of the Group's business. As a result, the Marine business has been combined into the Maintenance segment with effect from 1 April 2016.

Comparative segment information for the previous reporting period for the half year ended 30 September 2015 has been restated to reflect this.

For the half year ended 30 September 2016, the Group's business is organised into the following operating and reportable segments:

- Staffing
- Maintenance

Information has been reported for the 2 segments in the half year ended 30 September 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

2. Segment Information (continued)

The following is an analysis of the revenue and results for the period, analysed by reportable operating segment.

	Staffing		Maintenance		Total consolidated	
	30 Sep 2016 $'000	30 Sep 2015 $'000	30 Sep 2016 $'000	30 Sep 2015 $'000	30 Sep 2016 $'000	30 Sep 2015 $'000
Revenue	686,458	195,963	644,139	510,453	1,330,597	706,416
Finance revenue on long term maintenance contracts	-	-	1,912	2,499	1,912	2,499
Segment revenue	686,458	195,963	646,051	512,952	1,332,509	708,915
Other revenue, including interest and rental revenue (unallocated)					5,170	820
					1,337,679	709,735
Segment result						
Segment profit	20,157	3,862	24,792	22,583	44,949	26,445
Impairment of goodwill	-	-	-	(27,780)	-	(27,780)
	20,157	3,862	24,792	(5,197)	44,949	(1,335)
Skilled integration, restructuring and other costs					(14,390)	(5,179)
Amortisation of brands, long-term contracts, customer relationships and casual staff database					(5,300)	(444)
Share of net loss of associate					(282)	(76)
Unallocated costs					(10,961)	(5,993)
Earnings/(loss) before interest and tax					14,016	(13,027)
Finance costs					(8,100)	(1,910)
Profit/(loss) before tax					5,916	(14,937)
Income tax expense					(2,242)	(3,755)
Profit/(loss) for the year					3,674	(18,692)

The results for the half year ended 30 September 2016 include the results of Skilled Group Limited acquired on 16 October 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

3. Profit

	Consolidated	
	Half-year ended 30 Sep 2016 $'000	Half-year ended 30 Sep 2015 $'000
Profit before income tax includes the following specific expenses:		
Finance Costs:		
Total interest costs	4,489	801
Other finance costs	3,611	1,109
	8,100	1,910
Depreciation and amortisation of non-current assets:		
- Plant and equipment	9,349	4,363
- Identifiable intangibles	5,300	444
- Other non-current assets	31	379
	14,680	5,186
Impairment of goodwill (note 5)	-	27,780

4. Income taxes

The income tax expense for the half year can be reconciled to the accounting profit as follows:

Profit/(loss) from operations	5,916	(14,937)
Income tax expense calculated at 30%	1,775	(4,481)
Effect of amounts that are not deductible/(assessable) in determining taxable profit:		
Impairment off goodwill	-	8,334
Amortisation of intangibles	1,589	134
Effect of different tax rates of subsidiaries operating in other jurisdictions	(202)	(268)
Benefit of tax losses not recognised	404	-
Other sundry items	(1,527)	36
	2,039	3,755
Adjustments recognised in the current year in relation to the current tax of prior years	203	-
Income tax expense	2,242	3,755

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

5. Goodwill

	Half-year ended 30 Sep 2016 $'000	Half-year ended 30 Sep 2015 $'000
Gross carrying amount		
Balance at beginning of financial period	510,029	246,431
Impairment of goodwill	-	(27,780)
Net foreign exchange differences	438	(290)
	510,467	218,361

The carrying amount of goodwill is tested for impairment annually or whenever there is an indicator of impairment. The Group assesses the recoverable amount of the cash generating unit ("CGU") to which the goodwill is allocated.

The Staffing CGU has been impacted by stronger consumer driven headwinds leading to lower labour demand across the supply chains that feed the consumer goods, retail and material supply sectors. This has led to a reduced revenue projection for the 2017 financial year.

Given the impact on the Staffing business, the Group assessed the recoverable amount of the CGU based on its value in use.

The review indicated that the recoverable amount of the CGU exceeds the carrying amount.

The recoverable amount was assessed by determining the present value of the estimated future cash flows of the CGU using a pre-tax discount rate of 12.09% (March 2016: 12.20%). The cash flows were based on the forecast for the 2017 financial year then extrapolated for a total of four years at a growth rate of between 2.00% and 5.00% (March 2016: 2.00%). The cash flows beyond the five year period have been extrapolated using a steady 2.50% per annum growth rate (March 2016: 2.50%).

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the Staffing CGU:

	Change in variable	**Effect on recoverable amount $'000**
Forecast gross margin	+ 0.25%	41,671
	- 0.25%	(41,671)
2017 forecast sales (forecast margin maintained)	+ 5.0%	76,216
	- 5.0%	(76,216)
Pre-tax discount rate	+ 1.5%	(63,303)
	- 1.5%	86,784

Changes in the assumptions used in the CGU valuation model, when considered in isolation, will result in the following impairment impact on the profit or loss.

	Change in variable	**Effect on profit or loss $'000**
Forecast gross margin	- 0.25%	(10,289)
2017 forecast sales (forecast margin maintained)	- 5.0%	(44,834)
Pre-tax discount rate	+ 1.5%	(31,921)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

5. Goodwill (continued)

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while the other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

No indicators of impairment were identified for the Group's Maintenance CGU.

6. Current borrowings

Included in current borrowings is an amount of $75.000 million drawn under the Group's banking facilities which is due to be repaid within the next twelve months. The Group has sufficient available head room under its banking facilities to meet this obligation.

7. Dividends

During the half year, Programmed Maintenance Services Limited made the following dividend payments:

	Half-year ended 30 Sep 2016		Half-year ended 30 Sep 2015	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Final dividend	5.0	12,467	11.5	13,647

The Dividend Reinvestment Plan was reinstated for the final dividend paid in the half year ended 30 September 2016 hence it was settled by the issue of shares (note 8).

On 23 November 2016, the directors declared a fully franked interim dividend of 3.5 cents per share (2015: 6.5 cents) to the holders of fully paid ordinary shares in respect of the half-year ended 30 September 2016, to be paid to shareholders on 31 January 2017. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $9.006 million (2015: $16.205 million).

8. Issued capital

	30 Sep 2016 $'000	30 Sep 2015 $'000
257,308,848 fully paid ordinary shares (2015: 118,989,126)	570,280	236,086

	Half-year ended 30 Sep 2016		Half-year ended 30 Sep 2015	
	No.'000	$'000	No.'000	$'000
Ordinary shares				
Balance at the beginning of the half-year	249,311	557,813	118,667	236,086
Issue of shares (note 7)	7,998	12,467	322	-
Balance at the end of the half-year	257,309	570,280	118,989	236,086

Apart from those noted above, there were no other movements in the issued share capital of the Company in the current or prior half-year reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

8. Issued capital (continued)

Performance rights and options

The following reconciles the outstanding Performance rights and options under the Long Term Incentive Plan at the beginning and end of the half-year:

	Performance rights Half year ended 30 Sep 2016 No.	Performance rights Half year ended 30 Sep 2015 No.
Balance at the beginning of the half-year	4,542,000	4,434,000
Granted during the half-year	2,020,000	1,498,000
Exercised during the half-year	(350,251)	(321,948)
Lapsed during the half-year	(1,432,749)	(372,052)
Balance at the end of the half-year	4,779,000	5,238,000

9. Acquisition of business

Acquisition of Skilled Group Limited

On 16 October 2015 (in the financial year ended 31 March 2016), the Company completed the acquisition of Skilled Group Limited ("Skilled"), through a scheme of arrangement. The acquisition brings together two highly complementary businesses to create a leading diversified staffing, maintenance and facility management business.

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
Skilled Group Limited	Provider of workforce solutions	16 October 2015	100	321,880

Consideration transferred:

Consideration for the acquisition of 100% of the Skilled shares was 0.55 new shares of the Company and $0.25 cash per Skilled share (less the amount of the Skilled 2015 financial year final dividend per share and any Skilled special dividend paid per share). Skilled shareholders received a final dividend in relation to the 2015 financial year of $0.095 per Skilled share and a special dividend of $0.155 per Skilled share, reducing the cash consideration of $0.25 per Skilled share to nil.

	$'000
130,315,849 Programmed shares issued at $2.47 per Programmed share	321,880
Cash consideration	-
Total consideration	321,880
Net cash flow on acquisition:	
Consideration paid in cash	-
Cash acquired	26,654
Net cash inflow in the financial year ended 31 March 2016	26,654

Acquisition costs amounting to $6.608 million have been excluded from the consideration transferred and had been recognised as an expense in profit or loss in the financial year ended 31 March 2016 within the "other expenses" line item.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

9. Acquisition of business (continued)

Net identifiable liabilities:

The net identifiable liabilities acquired in the business combination, and the goodwill arising, are as follows:

	Fair value on acquisition $'000
Current assets	
Cash	26,654
Trade and other receivables	345,789
Inventories	839
Other	5,889
Total current assets	379,171
Non-current assets	
Trade and other receivables	1,224
Investments accounted for using the equity method	470
Property, plant and equipment	49,608
Deferred tax assets	43,244
Other intangible assets	73,531
Total non-current assets	168,077
Total assets	547,248
Current liabilities	
Trade and other payables	190,068
Borrowings	66
Current tax payable	2,268
Provisions	60,629
Total current liabilities	253,031
Non-current liabilities	
Borrowings	291,852
Deferred tax liabilities	30,429
Provisions	23,154
Total non-current liabilities	345,435
Total liabilities	598,466
Net identifiable liabilities	(51,218)
Goodwill	373,098
Total consideration	321,880

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 September 2016

9. Acquisition of business (continued)

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the business. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The accounting for the acquisition of Skilled at 31 March 2016 was provisional and has been completed in the half year ended 30 September 2016. There were no significant differences between the provisional and final accounting.

Acquisition of Broadsword Marine Contractors Pty Ltd

Deferred consideration amounting to $9.450 million has been paid during the half year ended 30 September 2016 on the acquisition of Broadsword Marine Contractors Pty Ltd.

10. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.